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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 001918

SIPDIS

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TAGS: [ECON](#) [PREL](#) [SOCI](#) [JO](#)

SUBJECT: IRAQI BUSINESSMAN "CAUTIOUSLY" OPTIMISTIC ABOUT IRAQ

REF: AMMAN 1722

Classified By: CDA David Hale for reasons 1.5 (b) and (d).

1. (C) Summary. An Iraqi businessman who operates a small office supply factory in Baghdad told us that he is cautiously optimistic about social and economic developments in Iraq, and that he has increased production and is operating two shifts at his Baghdad factory. He hopes for better banking and credit services in Iraq and shared his concerns about the July 1 transfer of power. He warned about continuing strains in the Iraq-Jordan relationship and hoped that time will heal deep wounds. End Summary.

IRAQI BUSINESSMAN OPTIMISTIC

2.(C) In a March 3 meeting with PolOff, Raid Rahmani, an Iraqi businessman with factories in Amman and Baghdad, told us that he is cautiously optimistic about business prospects and life in general in Iraq. He cited a reduction in the number of kidnappings, increased traffic around Baghdad until midnight, the revaluation of the Iraqi dinar against the dollar (although too volatile at times), higher salaries for average Iraqi workers, improved and informative programming on the Al-Iraqiyya television station and better access to gasoline (at cheap prices) as delible signs of improvement.

3. (C) Rahmani owns a factory that produces markers, ballpoint pens, rulers and crayons in Baghdad. He said he currently employs around 50 Iraqis on two shifts and is looking to hire more. He added that unskilled labor costs have steadily risen from USD \$12/month to an average of USD \$50-60. He has advertised in a local newspaper looking to hire more workers and was disappointed with the lackluster response. He blamed the level of insecurity in and around Baghdad for the lack of interest and stressed an improvement in security will be directly linked to an improvement in the unemployment situation. He proudly declared that business was great and that he is making money exporting primarily to Jordan, and is interested in expanding.

BANKING SERVICES: IMPROVEMENT EXPECTED

4. (C) Rahmani complained about the poor quality and availability of banking services in Iraq. He said there was no "functioning" banking or insurance system and bemoaned the lack of "letters of credit" and other credit programs to assist Iraqi businessmen. The lack of such services, he added, was a deterrent to those in Iraq with little or no capital who may be interested in starting businesses of their own. He disliked having to deal with cash in many of his own business transactions. (Comment: According to our other informed sources, this is not an entirely accurate picture of banking services in Iraq. While letters of credit are expensive and difficult for Iraqi firms with no outside assets or partner to obtain, they are available. We know that Jordan's Export and Finance Bank is offering letters of credit to private Iraqi businessmen through its working relationship with the National Bank of Iraq. This arrangement, however, may have been placed in jeopardy by recent Iraqi government activity - Reftel A). Further, Embassy sources told us there are at least seven private Iraqi banks offering letters of credit and doing electronic transfers in Iraq.

JULY 1: POLITICAL UNCERTAINTY

5. (C) On the political front, Rahmani opined that the uncertainty over the July 1 handover is creating anxiety for average Iraqis. Many Iraqis are worried about what the transfer of power will mean, how it will affect them and how the country will develop once Iraqis are left to govern themselves.

IRAQ-JORDAN RELATIONS: STRAINED

6. (C) On Jordan-Iraq relations, Rahmani was frank about the level of resentment felt by many Iraqis against Jordan and its citizens. He said Iraqis see Saddam-era Iraqis living it up in Jordan, being well-received, buying up expensive villas and driving fancy cars. He said Iraqis recognize that these

people owe their wealth to the Saddam regime and that their "ill-gotten" wealth was made at their expense. That Jordan grants Jordanian citizenship to Iraqis who invest JD 750,000 (USD \$1,059,300) in Jordan, he added, touches on a raw nerve for many Iraqis who feel that money spent by former regime officials belongs to Iraq and Iraqis.

IRAQIS NEED TO SEE MORE POSITIVE CHANGE

17. (C) Rahmani said that while he remains optimistic, the U.S. must make every effort to let average Iraqis "feel" that change is progressing (electricity blackouts every 3 hours must improve), engage Iraqi businessmen and provide them with business opportunities. As an Iraqi, he said, "if I make a profit I reinvest it in Iraq, while a Lebanese, Egyptian or Kuwaiti repatriates such profit to his respective country."

COMMENT

18. (C) Rahmani's comments mirror those who have heard from other Iraqi businessmen that the situation is improving -- but not quickly enough. End Comment.

19. (U) Baghdad minimize considered.

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HALE